



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO  
607 North 8th Street  
BOISE, IDAHO 83702

MINUTES  
OF  
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:35 a.m., September 26, 2000. The following members were present:

Chairman Jody B. Olson  
J. Kirk Sullivan  
Dennis L. Johnson  
Susan K. Simmons

Trustee Pamela I. Ahrens was absent and excused. Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Chief Investment Officer Robert Maynard, Deputy Director Ted Aho, Medical Advisor B. Strouth, and Management Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

Richelle Sugiyama	Dorn, Helliesen & Cottle
Drew Black	D.B. Fitzpatrick & Co
Brian McGrath	D.B. Fitzpatrick & Co
Marta Watson	DFM
Bruce Reeder	Mountain Pacific Investment Advisors
Bill Palumbo	Mountain Pacific Investment Advisors
Charlie Brown	Retired Educators Assn. of Idaho
Dennis Fitzpatrick	DB Fitzpatrick & Co.
Brent Nye	Boise School District
James Coleman	PERC – Retired Teachers
Ms. Nawaaporn Ryanskul	Thailand Government Pension Fund
Chanchai Supasagee	Thailand Government Pension Fund
Ms. Atchara Suttisirikul	Thailand Government Pension Fund
Diane Mayers	Pacific Pension Institute
Paul Zimmerman	United Heritage Intern from Germany
Gay Lynn Bath	PERSI

Maxine Thomas  
Becky Crowther  
Susan Shaw  
Judy Aitken

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#### EXECUTIVE SESSION:

Chairman Olson noted for the record the necessity to hold an executive session to discuss matters exempt from disclosure as provided in Chapter 3, Title 9, Idaho Code and that Idaho Code §67-2345 (1) (b) & (d) authorizes the same. By motion duly made by Trustee Johnson, seconded by Trustee Simmons and unanimously approved, the Board went into executive session at 8:32 a.m.

After discussion of each disability application and personnel matters, the Board resumed the regular session at 8:55 a.m. By motion duly made by Trustee Johnson and seconded by Trustee Simmons, the Board unanimously approved the disability applications of Elgie Capson, Lynda L. Carson and Mary Johnson with no review; and Brent Johanson with a review in one year. In the same motion, the application of Mary Johnson was denied, not meeting the requirements of PERSI disability.

Chairman Olson told those present that during the executive session the Board had reviewed the performance of Chief Investment Officer Robert Maynard. The Board is proud of his accomplishments this year. By motion duly made by Trustee Simmons, seconded by Trustee Johnson and unanimously approved, the Board awarded the maximum bonus and a 5% merit salary increase to Mr. Maynard.

#### OLD BUSINESS:

Approval of the Minutes: By motion duly made by Trustee Simmons and seconded by Trustee Ahrens, the Board unanimously approved the minutes of the August 22, 2000 regular meeting of the Retirement Board after two clarifications were added by Chairman Olson.

#### PORTFOLIO

Mr. Maynard introduced international visitors from the Thailand Government Pension Fund and Diane Mayers, the Executive Director of Pacific Pension Institute who accompanied them. The representatives are visiting several pension funds in the United States to learn more about how US systems operate. Mr. Maynard and Mr. Winkle have scheduled meetings with the representatives for the afternoon of September 26 and all day on September 27 to discuss investment philosophy and our DC plan. A luncheon with Board Trustees is also scheduled.

Chairman Olson noted that another international visitor, Philip Zimmerman of Germany, was attending the meeting. Mr. Zimmerman is staying with Trustee Johnson and his family and is an intern at United Heritage for a few months.

Portfolio Report: Richelle Sugiyama of Dorn, Hellieson and Cottle reviewed the investment performance and strategy report for the period ending August 31, 2000. The Total U.S. Equity portion returned 6.4% and the Total Global Equity portion returned the same for the month of August, 2000. The Total International Equity portion, adjusted for the hedge, returned 1.3%. The Total fund returned 4.1% for the month of August, 2000. For the most recent data

available, all of the managers are in compliance with the Investment Policy and they have either the expected portfolio characteristics or reasonable explanations for variance from expectations.

Monthly Portfolio Update: Mr. Maynard told the Board that he expects, within the next couple of months, for Mellon Trust to add about nine people to their staff as we add more risk control measures. The changes, which include unitizing and guarantees of daily pricing, will cost about \$1.5 million. In addition to adding risk controls, having daily pricing and guarantees will be advantageous when the DC/gain sharing investments are set up. Mr. Maynard said he is more comfortable having these risk control measures in place.

He reviewed his Investment Report dated September 25, 2000, which showed a total fund return of 0.0% for the fiscal year to date. Commenting on the report, the CIO said oil price hikes, a falling euro, and earnings concerns have all combined to pressure world equity markets in the last month. Growth stocks, emerging markets, and European equities have been particularly hard hit. There is a general consensus that the Fed is on hold for interest rate increases for the remainder of the year. The total fund and each of the accounts are performing as expected given the current market conditions. International and growth oriented managers (Brandes, Mountain Pacific and Tukman) and bond managers have held up well. Private equity, in large part due to Providence Equity Partners, has had a particularly good period.

Other Investment Business: Chairman Olson invited managers in attendance to comment. Dennis Fitzpatrick said fixed income is doing well this year. He said the economy has not changed, except for oil. Brian McGrath discussed the oil markets saying inflation drives interest rates and oil is the only inflation on the horizon.

#### ACTUARY:

Because actuarial numbers were not available as expected, the preliminary actuarial report and gain sharing discussion was postponed until the October meeting.

#### COMMUNICATIONS:

Communications Officer Becky Crowther said Mark Benson of ETI, our education vendor, will provide information on the gain sharing education program at the October meeting. Training Specialist Maxine Thomas told the Board that about 20 employer meetings are planned during the next few weeks. This will prepare employers and payroll clerks to answer questions and direct members to the member education workshops. She said that ETI is customizing videos and bookpacs to be provided to every active employee; this will be supplemented with web information, telephone support, and more than 600 classroom workshops for members which will include investment education. She reviewed the goals for the education program and the time frames. In response to a question from the Chair, Ms. Crowther said that when members or employers ask how much their gain sharing will be we can provide an estimate, but nothing final until the decision is made by the Board.

Ms. Crowther said retirees will receive information with their gain sharing 13<sup>th</sup> check explaining why PERSI is able to provide the bonus benefit. Trustee Sullivan asked how members without video players will learn about the program. Ms. Thomas said videos appear to be the most cost effective method of large-scale information distribution in today's world.

Retirees will not receive a video, but a letter with their check. A workbook and telephone numbers to call if they wish to speak directly with a representative will accompany the video sent to active members.. We are working with employers regarding distribution of these materials to their employees. The goal is to be able to communicate directly with the PERSI member at their home. Until those addresses are available in the Galena system, we will continue to distribute through the employers. Employers may choose to use the videos at staff meetings; they appear to be supportive of our education efforts. Mr. Winkle said even when the Galena system is completed and functioning, each employer's system must be configured to send employee information to us. That will be a time-consuming piece and one reason we are starting with employer education meetings now. The member workshops will be three- hour meetings with qualified financial planners, hands-on segments and time for individual questions. All will have a PERSI representative present. Educators will not give investment advice, but will provide investment-related education.

#### FISCAL:

Fiscal Update and Expense Reports: Senior Accountant Rhonda Yadon told the Board the annual audit field work is complete. In mid-October they will meet separately with Trustee Simmons to review their findings. They will present the final result and draft of the financial statements at the October meeting. Preparation of the CAFR will begin in November. PERSI received notification from GFOA this month that they received the Excellence in Financial Reporting Award for the 1999 CAFR.

Ms. Yadon reviewed the Administrative and Portfolio reports, which had previously been furnished to the Board. She noted that bi-annual postage fees, annual fees from the controller's office, and quarterly rent charges were shown on the Administrative report, while the Portfolio report included quarterly manager fees and reporting and legal fees which were billed during this time period.

In response to a question from the Chair, Mr. Winkle said the actuary assumes 50 basis points for administration; our expenditures are well under that amount.

#### LEGAL:

Deputy Attorney General Brad Goodsell told the Board the ideas previously submitted and approved by the Board were now in legislative format ready to be submitted to DFM. He reviewed the proposed legislation and said a fourth proposed bill has been drafted to remove the current restriction on voluntary contributions, which would allow all PERSI members to make voluntary contributions as soon as the initial gain sharing allocation occurs, rather than having to wait until they personally receive a gain sharing allocation. This idea has been submitted to DFM, but has not yet been approved. By motion duly made by Trustee Sullivan, seconded by Trustee Johnson and unanimously approved, the Board directed staff to submit the bills, with the fourth subject to approval by DFM.

Status Update: The Board had previously received the monthly status memo which summarized the projects in which PERSI is involved. Mr. Winkle introduced Carol Boylan, the new Information Technology manager. She previously worked at Health and Welfare as their IT Manager. Mr. Winkle told the Board the Consumer Price Index on which the retiree COLA is based appears to be 3.4% which is higher than we have seen in recent years. 1% is funded by

statute, and the discretionary 2.4% will be included in the actuarial numbers provided to the Board at the October meeting.

At the November Board meeting, the Retiree Medical Report along with comments from the Advisory Committee will be presented. Mr. Winkle said the committee has done an excellent job getting participation from their groups. Trustee Johnson who chairs the committee said although the report will be presented in November, it will not include recommended solutions to the insurance problems. Expectations of having a presentation for the coming legislative session may be premature as impacts of possible changes must be carefully considered and analyzed. The report will provide an excellent base for continued study. Chairman Olson asked who is on the committee. Mr. Johnson replied that it includes representatives from schools, cities, counties and the state, and is an advisory committee, not a decision-making one.

Trustee Sullivan voiced his disappointment that the Galena system implementation is being pushed back another two months as noted in Mr. Winkle's memo dated September 21, 2000, when it is already so far past the expected completion date. Mr. Winkle said testing and running parallel is critical and we are insisting on accuracy as more "bugs" are discovered and cleaned up. To avoid possible problems and also the extra staff work that would be required to merge old and new data for 1999's, we will have a year-end implementation and run the first benefit payroll of 2001 from the new system. There was further discussion of the Galena system; Ms. Boylan said the new system is sound, but the payroll and transmittal phases still have too many outstanding issues to implement them. She said it is essential that the benefit amounts we pay to our retirees be correct.

Design and programming work for the 13<sup>th</sup> check for retirees, employer credits and the allocation programs for active members is in progress. Mr. Winkle said one major decision remains for the Board on the gain sharing issue. We are waiting on the actuarial report so the amount of available funds for the gain sharing allocation can be set. Individual allocations within those groups will then need to be calculated. Trustee Simmons asked if data warehouse problems had brought about the decision to delay annual statements. Staff replied that it was a contributing problem, but not the only factor. Annual statements for school employees will be issued first. Statements for all state employees will be issued at once.

The workload continues to increase for PERSI employees. A record number of retirees, 477, were processed this month. This was a 13% increase for the same time period last year. The staff is to be commended for their dedication and outstanding effort.

Proposed meeting dates for the 2001 regular meetings of the Retirement Board have been distributed to the Board. Trustees will review the dates and expect to set the schedule at the November meeting.

New Employers: By motion duly made by Trustee Sullivan, seconded by Trustee Johnson and unanimously approved, the Board welcomed Meadows Valley Public Library District with an entry date of October 1, 2000 and the Valley of the Tetons District Library Board with an entry date of April 1, 2000 as new PERSI employers.

Adjournment: There being no further business to conduct, by motion duly made by Trustee Johnson, seconded by Trustee Sullivan and unanimously approved, the meeting was adjourned at 10:20 a.m.

FUTURE BOARD MEETINGS

Tuesday, October 24, 2000, 8:30 a.m., Boise – PERSI office  
Tuesday, November 28, 2000, 8:30 a.m., Boise – PERSI office  
Tuesday December 19, 2000, 8:30 a.m., Boise – PERSI office

Jody B. Olson  
Chairman

Alan H. Winkle  
Executive Director